



- Please mute your microphones
- Please turn on your camera (webcam)
- We will start at 10.32 am



Public Hearing

Draft Report

Review of the rate peg to include population growth

Liz Livingstone, CEO

20 July 2021

Agenda

- | | |
|----|--|
| 01 | MC – Liz Livingstone, IPART CEO |
| 02 | Welcome – Carmel Donnelly, Tribunal Chair |
| 03 | Draft findings and recommendations – IPART |
| 04 | Stakeholder presentations – DPIE and LGNSW |
| 05 | Feedback and questions |
| 06 | Closing Remarks – Carmel Donnelly |



Welcome and Acknowledgement of Country

Carmel Donnelly
IPART Chair

Review context

Our terms of references asked us to:

- ensure no council would receive a lower increase in general income
- consider no other changes to the rate peg
- consider whether one methodology should apply to all councils
- have regard to the Government's commitment to protect ratepayers from sudden or excessive rate rises
- have regard to the different needs and circumstances of councils across the state

Where we are up to



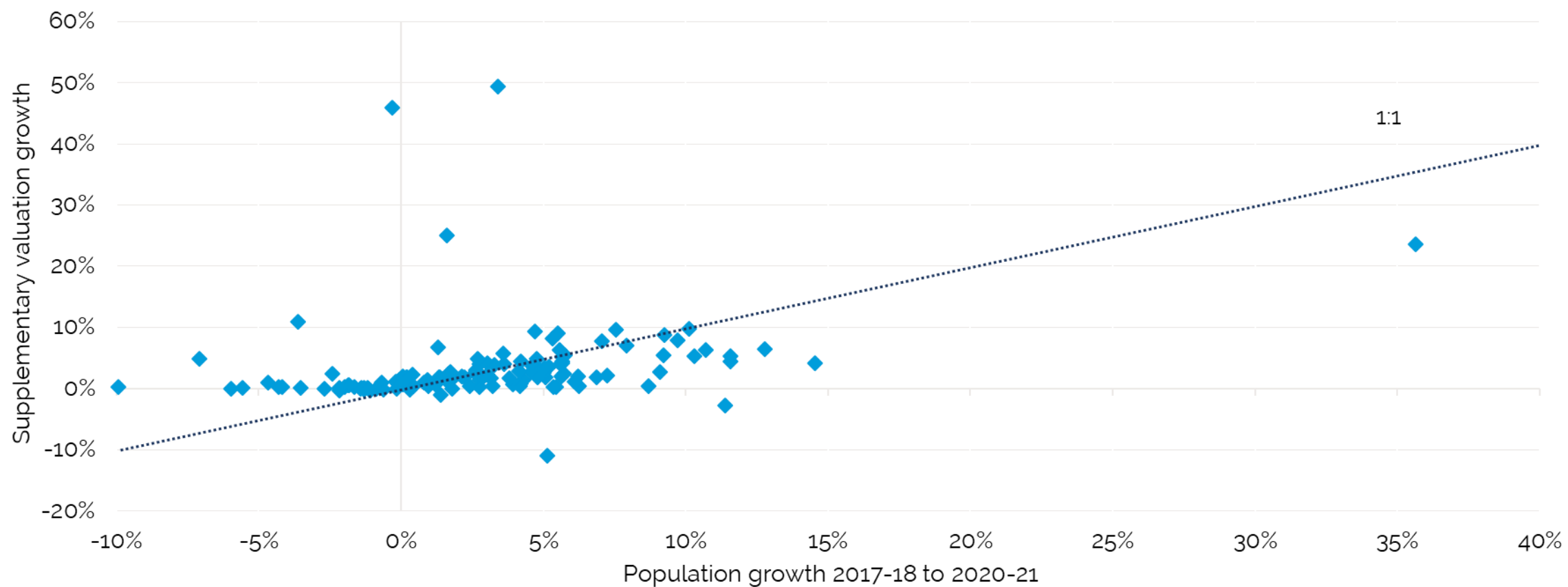


IPART presentation

Population and council operating expenditure growth in NSW



Increase in councils' revenue per person from supplementary valuations vs population growth



What we found



Councils' costs increase with population growth



The relationship between cost increases and population growth is mostly linear



Costs vary depending on the type of development



Rural councils face population related issues that cannot be solved through this review



Existing service levels (per capita) are the best indicator of the per capita costs of population growth

What we propose

- Each council's general income on a per capita basis should be maintained as its population grows
- The rate peg for each council should be increased by a population factor equal to the annual change in its residential population
- Use Australian Bureau of Statistics data and adjust for income derived through supplementary valuations

What we propose



based on a change in population rather than a change in the number of dwellings or rateable dwellings



reflects the change in residential population



accounts for the impact of supplementary valuations

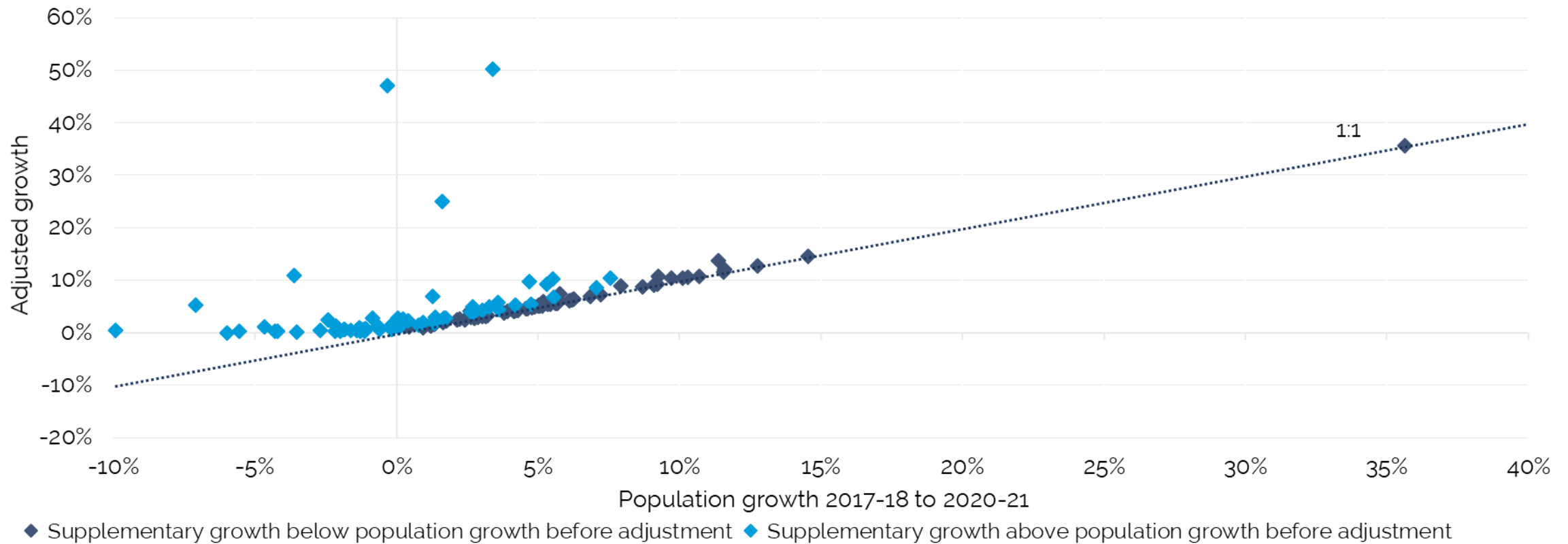


maintains per capita general income over time



applies to all councils, subject to potentially varying the population factor for some councils

Increase in councils' revenue per person from adjusted growth vs population growth




Outcomes

\$119m



Councils' total
general income
higher after four
years

\$262m



Increase in total
general income over
four years

93



Councils better off



DPIE presentation

Infrastructure Contributions Reform

IPART Public Hearing

Tuesday 20 July 2021



Planning,
Industry &
Environment

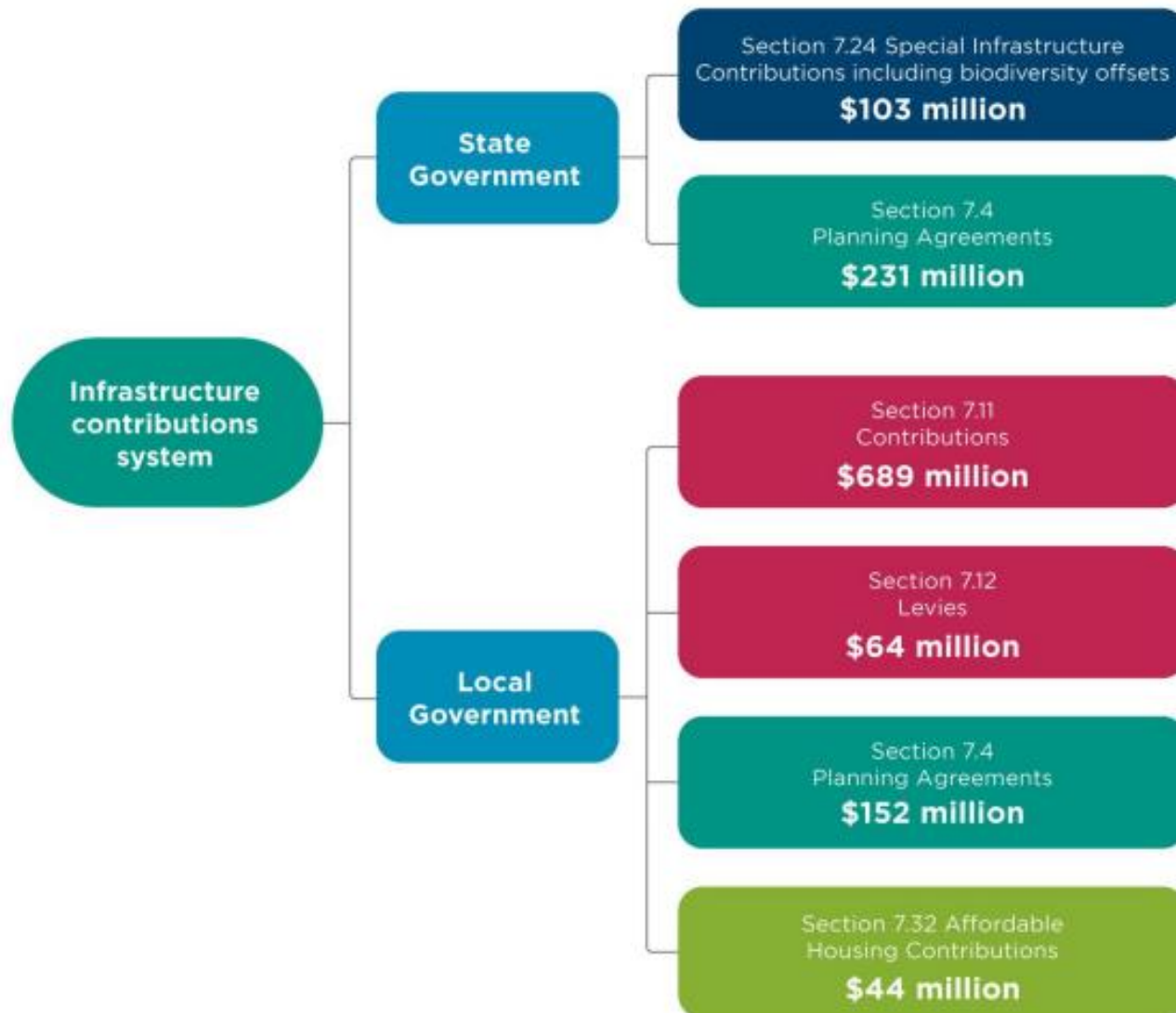
Contributions reform overview and status update



Planning,
Industry &
Environment

INFRASTRUCTURE CONTRIBUTIONS

Certain / Transparent / Simple / Efficient / Consistent



Criticisms

- Complex and difficult to understand
- s7.11 plans are difficult and time consuming to prepare
- Land prices escalate faster than Consumer Price Index – leaving councils out of pocket on land acquisition costs
- Planning Agreements lack transparency, are expensive and take time
- Special Infrastructure Contributions applied in ad-hoc fashion
- Over-reliance on Planning Agreements

Our aim

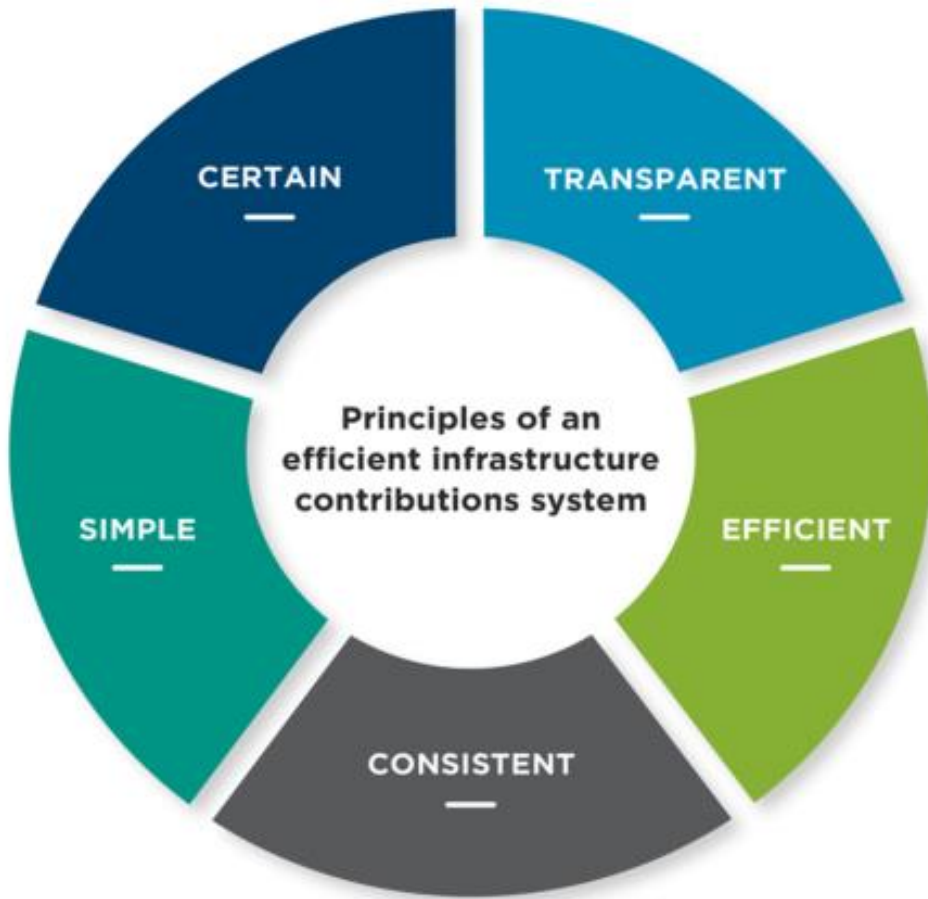
Our aim is to reform the existing infrastructure contributions system's legislative, regulatory and policy settings to create a certain, efficient, simple, transparent, and consistent system

This ensures that the right infrastructure is delivered at the right time to improve the productivity of our communities and deliver jobs

Outcomes

- Reform the legislative and regulatory framework to support a principles-based system
- Develop digital tools and guidance materials to make the system simple, certain and transparent
- Implement standard approaches and processes to make the system more consistent
- Introduce land dedication and process reforms to put downward pressure on costs
- Engage with stakeholders in all phases of the policy reform process to provide market certainty
- Implement strong governance arrangements to deliver and succeed

Key recommendations based on principles



CERTAIN

CERTAIN AND PREDICTABLE APPLICATION

- » Develop contributions plans upfront as part of the zoning process (Rec 4.1)
- » Introduce a direct land contribution (when rezoning land) for landowners to fund or provide land needed for public infrastructure (Rec 4.2)
- » Enable landowners and developers to accurately estimate their contributions liability using a digital tool (Rec 6.1)

EFFICIENT

CREATION OF MARKET SIGNALS TO GUIDE EFFICIENT DEVELOPMENT

- » Reform the local government rate peg to account for population growth and ask IPART to review the essential works list to remove items that are not development-contingent (Recs 3.1 and 4.6)
- » Cost reflective section 7.11 contributions based on efficient costs (Recs 4.6 and 4.7)
- » Charge for new and upgraded water connections in Sydney Water and Hunter Water service areas (Rec 5.5)
- » Adopt a biodiversity contributions plan with area-specific charges (Rec 5.4)

SIMPLE

EASY TO UNDERSTAND WITH MINIMUM ADMINISTRATION COSTS

- » Retain simplicity of section 7.12 contributions mechanism but with a higher maximum rate (Rec 4.11)
- » Simplify contributions planning by:
 - adopting standard infrastructure costs and local contributions templates (Recs 4.5 and 4.8)
 - providing simple, clear and up-to-date guidance (Rec 6.3)
 - transitioning to digital tools (Rec 6.1)

TRANSPARENT

OPENNESS AND ACCOUNTABILITY FOR CONTRIBUTIONS COLLECTION AND EXPENDITURE

- » Require public reporting of all contributions collected and spent in the digital tool (Rec 6.1)
- » Expenditure of State infrastructure contributions to be aligned with the budget process with priorities to be informed by the Department of Planning, Industry and Environment, and Infrastructure NSW (Rec 5.1)

CONSISTENT

CONSISTENT AND FAIR CONTRIBUTIONS, BASED ON IMPACTOR PAYS AND BENEFICIARY PAYS PRINCIPLES

- » Adopt consistent guidelines for exemptions and works-in-kind agreements (Recs 6.2 and 6.4)
- » Restrict planning agreements to either out-of-sequence development or direct delivery of infrastructure (Recs 4.12, 4.13 and 5.2)
- » Introduce low rate, broad based regional levies in Greater Sydney, Hunter, Central Coast, and Illawarra-Shoalhaven to fund growth infrastructure (Rec 4.2)

Principles based contributions system

LOCAL INFRASTRUCTURE

RATES

- » Funds general costs of population growth
- » Enabled by rate peg reform

LAND VALUE CONTRIBUTIONS

- » Landowner charge
- » Cost reflective

SECTION 7.11

- » Developer charge
- » Cost reflective

SECTION 7.12

- » Developer charge
- » Simple fixed rate

STATE INFRASTRUCTURE

STATE CAPITAL EXPENDITURE

- » Taxation, borrowings
- » Grants
- » Own-source revenue

REGIONAL CONTRIBUTIONS

- » Beneficiary and impactor pays
- » Broad-based, low rate

TRANSPORT CONTRIBUTIONS

- » Beneficiary pays
- » Major transport capital cost recovery

BIODIVERSITY CONTRIBUTIONS

- » Impactor pays
- » Site specific

System wide simplicity and certainty

Digital tool supports simplicity, transparency and centralised reporting

Planning agreements and works-in-kind to facilitate direct delivery

Charges published and certain at the time of rezoning

Cost benefit analysis of proposed reforms, net benefits over 20 years, present value



Economy wide benefits, average per year over 20 years



Source: Modelling by the Centre for International Economics (2020)

Expectations of the reforms:

- For every dollar raised from contributions and rates that is spent on infrastructure – there will be long-run increases in consumption, GSP and employment
- Regional infrastructure contributions expected to raise about \$632M in 2024 to fund State infrastructure
- An improved funding source for regional infrastructure will facilitate more delivery on State infrastructure

- The NSW Productivity Commissioner recognised that council revenue has been constrained by the rate peg, suggesting it creates an over-reliance on development contributions
- The package of reforms means some revenue could go up and some may go down
- Overall, the modelling for the NSW Productivity Commissioner said there would be net benefits to council
- IPART has been asked to review the 'essential works list' and consider how needs may differ in greenfield, infill and regional contexts
- The 'essential works list' has disproportionately impacted greenfield councils

	Baseline	Proposal	Change	Change
	\$m/year	\$m/year	\$m/year	Per cent
Low growth metro councils				
Rates	2 884	3 069	184	6.4
Contributions	242	221	- 21	-8.8
Total	3 126	3 289	163	5.2
High growth metro councils				
Rates	2 985	3 564	579	19.4
Contributions	870	780	- 90	-10.3
Total	3 855	4 344	489	12.7
Low growth regional councils				
Rates	4 429	4 579	150	3.4
Contributions	213	208	- 5	-2.4
Total	4 642	4 787	145	3.1
High growth regional councils				
Rates	85	97	11	13.3
Contributions	3	2	- 1	-18.5
Total	88	99	11	12.2

Source: CIE estimates.

What we've heard – key concerns



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INFRASTRUCTURE CONTRIBUTIONS

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Local government concerns:

- Ensuring viable revenue
- Funding community facilities
- Timing of deferred payments of contributions to occupation certificate
- Financial implications of changes to section 7.12 levies
- Timing of exhibition in relation to council elections

Industry concerns:

- Cumulative financial impact
- Land value contributions
- Regional infrastructure contributions
- Housing supply



Local Government NSW presentation

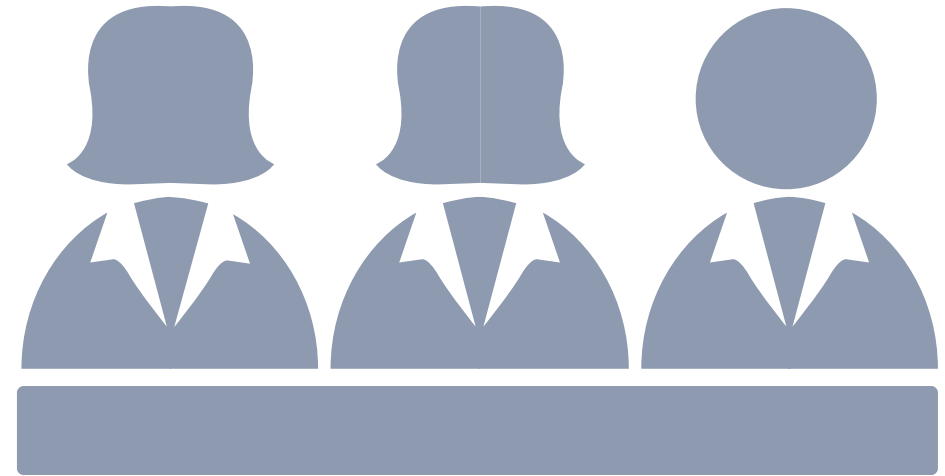


Cr Linda Scott

President Local Government NSW

President Australian Local Government Association
Councillor City of Sydney Council

Questions





Have your say

You can provide feedback to our Draft Report by making a submission through our website

Submissions close **6 August 2021**

You can also provide feedback on the **NSW Government 'Have Your Say'** website.

Contact Cameron Shields, cameron_shields@ipart.nsw.gov.au